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# REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

## Common services at United Nations Headquarters

## Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments on the report of the Joint Inspection Unit entitled "Common services at United Nations Headquarters" (see A/51/686).

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ANNEX

Comments of the Secretary-General on the report of the Joint Inspection Unit entitled "Common services at United Nations Headquarters"

## I. GENERAL

1. The Secretary-General notes that the goal of the report, namely, to recommend comprehensive, integrated arrangements for common services in New York, is in accord with his strategy of enhancing the efficiency of administrative support structures throughout the Organization, with a view to achieving economies of scale and more coherent and effective support to substantive activities. Such an exercise should serve to reduce, not add to, the layers of bureaucracy and help to eliminate duplication and overlap in personnel and financial administration and in support services.

2. The plan of action in pursuit of that strategy is based on a series of internal reviews focusing on the relationship between the administrative support structures of offices away from Headquarters and the Department of Administration and Management and is aimed at achieving a more unified system of administrative support for the Organization as a whole, including the development of a strategic plan for information technology. The reviews are built on previous studies, as well as on the ongoing work of the Efficiency Board, and could be useful in determining the feasibility of transferring certain common services to less expensive locations, taking into account modern communication techniques.

3. The Secretary-General acknowledges a similarity of vision concerning the subject matter of the report and welcomes the thrust of the report and its recommendations. However, the report does not provide concrete input towards practical solutions aimed at consolidating and enhancing the efficiency of common services. The report addresses the issue in a very general way, without quantifying the costs and benefits of its proposals or evaluating the ongoing efforts of the United Nations and its affiliated bodies to modify their common services agreements. It does not answer the question of whether economies of scale could be universally realized through recentralization and consolidation of common services at Headquarters or whether, in specific cases, consolidation could have a negative impact on the efficiency of services.

4. The example of information technology demonstrates that the consolidation of common services does not necessarily improve their efficiency and that flexibility in this regard is essential. Experience has shown that the best approach to managing the technology resources of departments would be to entrust that responsibility to the departments themselves, with the appropriate central authority retaining oversight responsibility. Similarly, management authority over related personnel and financial matters would be retained by the departments, while the Information Technology Services Division would provide technical services and support on a reimbursable basis in accordance with the needs of the departments. The Division would also exercise oversight concerning the correct implementation of the information technology policy. Under that

arrangement, the Secretariat-wide administrative support function would be reduced while management accountability at appropriate levels would be improved.

## II. SPECIFIC COMMENTS

Telecommunications network (paras. 15-18)

5. The report reflects the approach taken by the Secretariat as to how the United Nations telecommunications network might become more useful to the specialized agencies. As noted correctly by the Inspectors, the established inter-agency group dealing with telecommunications issues has recently set the framework for broader participation and sharing of services and facilities that lend themselves to being used in common. It should be noted that there are several initiatives to share telecommunications resources at Headquarters, including a contract to be finalized with the International Society of Airlines Telecommunications, which will allow for extensive data communications between New York and other locations.

6. The report questions (in para. 16) whether the United Nations has the necessary in-house managerial and technical expertise to make a global network economically viable for users. It should be noted that the United Nations has chosen to contract with commercial vendors for all services and to coordinate technical and managerial issues among all organizations of the system. This approach is considered to be the most cost-effective in a highly competitive telecommunications market. Use of commercial sources proved to be more advantageous than ownership of a United Nations network in terms of the availability of technical expertise, operational efficiency and cost, among others.

7. The Inspectors' criticism of the inability of the United Nations to charge fees that are competitive with market rates is justified, and efforts are under way by the Secretariat to put in place a speedier process for revising its network rates. Steps have been taken to lower these rates, and a mechanism is being developed through which the costs to which tariffs must be tied can be tracked.

Integrated Management Information System (paras. 19-21)

8. Experience proved that the decision to develop the Integrated Management Information System (IMIS) for the United Nations only was correct; had it been conceived for all organizations, it would never have reached the current stage. The United Nations, however, rapidly realized that IMIS could become a standard for the United Nations system and recommended to the General Assembly that it be made available to United Nations organizations free of charge. In fact, the adoption of IMIS by the International Labour Organization (ILO), the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) has led to precisely the savings referred to by the Inspectors, although this was achieved without a formal policy being promulgated centrally, as suggested in the report. It should be noted that the changes required by ILO, UNDP and UNICEF to the human resources management software were limited, indicating that, in fact, there is greater consistency in the management of

human resources than most observers admit or realize. Most of the changes include functionalities or reports not initially foreseen in the United Nations requirements.

9. The issues concerning future implementation of IMIS, as discussed in paragraph 21 of the report, are the subject of ongoing consultations between the United Nations, UNDP and UNICEF. The creation of a semi-autonomous inter-agency IMIS entity supporting the various organizations could result in clear benefits for all the organizations, including the United Nations, by reducing their financial burden. However, such a decision would have to be accompanied by the harmonization of personnel, financial and support services policies, reflecting the understanding that some operational requirements were different from those of normal Secretariat functions.

10. The Inspectors observe, in paragraph 48 of the report, that IMIS applications do not appear to be fully relevant to the management requirements of the operational activities for development and field offices. In this connection, it should be noted that all the work done on IMIS since the inception of the project has been shared with UNDP, UNICEF and the Office of the United Nations High Commissioner for Refugees (UNHCR). The changes made so far to the software for ILO and UNDP concern mostly additional functionalities or reports not originally within the scope of IMIS. In fact, the existence of a functioning system has led to a review of the relevance and strategic importance of the changes requested so that only the essential ones were made. In other words, IMIS has already contributed to the standardization recommended by the Inspectors.

11. As stated in paragraphs 55 to 57 of the eighth progress report of the Secretary-General on IMIS (A/C.5/51/23), the Secretary-General considers it beneficial that IMIS should become a standard for the United Nations Secretariat as a whole. He believes that all entities with field operations, such as UNDP, UNICEF, UNHCR and the Field Administration and Logistics Division, should share the same field system or, preferably, work jointly towards remote accessing through IMIS, possibly with regional operational centres that could be common to all parties concerned. The Secretary-General is pleased to state that consultations in this regard are currently under way. Since the consultations have far-reaching implications, some time would be required for them to reach definite conclusions on the feasibility of such a project.

Legal services (paras. 22-24)

12. The Secretary-General shares the views of the Inspectors that it is crucial to maintain a uniform and consistent application of law within the Organization and to protect the Organization from outside claims. The Secretary-General concurs with the suggestion that there should be some consultative mechanism involving the Office of Legal Affairs and the users of its services and notes that the Office has already begun to set up mechanisms with its clients to discuss the way in which services are provided. It is currently being determined whether those clients wish to have consultations on a formal and periodic basis or on an informal and ad hoc basis.

Conference services (paras. 25-28)

13. Meetings and documentation services for the governing bodies of the funds and programmes receive the same priority as those accorded to all other intergovernmental bodies. New consultative arrangements do not seem necessary. Conference Services holds regular information and coordination meetings with the secretaries of all the bodies concerned, including those of the governing bodies of the funds and programmes. In addition, the secretaries and responsible officials in Conference Services have a well-established working relationship aimed at dealing with routine questions on meetings and documentation. Recently, the Executive Board of UNDP and the United Nations Population Fund (UNFPA) and the Executive Board of UNICEF set up intergovernmental working groups on documentation. Office of Conference Services managers participate in their work.

14. The recent upgrading of the United Nations reproduction equipment may offer new possibilities for printing the publications and information materials of the funds and programmes on a reimbursable basis. The documents of their governing bodies are already provided free of charge.

15. In connection with the Inspectors' considerations concerning service providers' accountability to and oversight by users, it is worth recalling that in the case of conference services, the users are the intergovernmental and expert bodies themselves, and by extension the Member States, and not particular units in the secretariats of funds and programmes.

Public information (paras. 29-30)

16. The Secretary-General notes that the Inspectors' proposal to enhance the role of the Department of Public Information is in accord with his policies aimed at strengthening the role of the Department's information centres and services, fostering close cooperation with the subsidiary bodies and United Nations offices in the field and developing the Joint United Nations Information Committee into an effective mechanism for professional collaboration and coordination.

Procurement (paras. 33-35)

17. The Secretary-General finds merit in the Inspectors' concept of consolidated and integrated procurement as a common service. In this connection it should be recalled that the Inter-Agency Procurement Working Group, under the auspices of the Inter-Agency Procurement Services Office, meets annually to discuss such matters as vehicle standardization, supplier appraisal and the performance-rating system, as well as to confer on common problems and to coordinate efforts on a number of procurement issues, such as harmonization of general conditions of contracts. Ad hoc meetings on specific issues are also held from time to time. As another step in promoting system-wide coordination of procurement, the United Nations Secretariat and the Inter-Agency Procurement Services Office have exchanged their respective supplier rosters, through electronic media or in diskette form, for use by all 37 member organizations of the Working Group. The announcement of United Nations contract awards through

the publication Procurement Update, issued by the Office, is yet another example of improved coordination in procurement.

Travel (paras. 36-38)

18. In regard to the observation in paragraph 36 concerning users' lack of complete satisfaction with the shipping services provided by Matrix, it should be noted that this contract has since been put out to bid. As a result of an evaluation by all three user entities of the eight proposals received, it was agreed that the new contract, commencing on 1 November 1996, should be awarded to the current contractor, Matrix International, Inc.

Pouch and mail (paras. 41-42)

19. In regard to the Inspectors' observation that "the pouch service was criticized for its slow, two-week turnaround, for its lack of adequate logistic facilities and its consequent limited capacity to handle large volumes, such as during major international conferences", the following clarification is in order.

20. The majority of pouch shipments have a turnaround time of under one week, which includes the delivery of items from the originating office to the mail room, their dispatch to overseas destinations, their clearance by local customs and their distribution by local mailroom staff. However, since most destinations receive the pouch only once a week, if the originating office misses the deadline for dispatch, the items must wait for the following week's dispatch. In such situations, a two-week turnaround would occur. It should be noted that in the last five years there has not been a single case in which documents for a major conference that were handled by the mail or pouch service arrived at their destination behind schedule.

21. As for some affiliated programmes using international express mail services, the mail involved amounts to less than 1 per cent of their overall volume of mail. While at a first glance it would appear to be a good idea to consolidate overnight express deliveries to obtain volume discounts, it has proved to be impractical because on average there are no more than three or four daily deliveries to any one destination originating from each entity in New York.

Budgeting and reimbursement formulas (paras. 51-55)

22. It should be recalled that the United Nations budget is prepared on the basis of its own needs. To the extent that services are rendered to UNDP, UNFPA and UNICEF, reimbursements are sought from them on the basis of an agreed formula, the rate of which is applied to the cost of the service in question. As the Inspectors correctly noted in paragraph 54, in view of the reductions in the regular budget of the United Nations, it can be argued that the cost of the services to which the rate of reimbursement is applied is lower than the value it delivers. Reimbursements to the United Nations for services it renders is thus lower than the related direct and indirect costs. For example, the Medical Service is reimbursed for the services it renders based on the cost of the service. There are, however, costs directly attributable to UNDP, UNFPA and

UNICEF, such as the cost of inoculations, medicines, X-rays, etc. A unit rate for such costs that could be charged directly to those subsidiary programmes is being considered as a modification of the current system of reimbursement. Reimbursement for telecommunications is based on use of the operational facility, which covers equipment, long-distance circuits and staff, but does not include management costs or major system enhancements. No reimbursement is sought for provision of conference services to the legislative bodies of UNDP, UNFPA and UNICEF, as they are subsidiary bodies of the Economic and Social Council. Services provided by the Library are not being reimbursed either.

23. The Inspectors raise the question, in paragraph 55 of the report, as to whether common services should be budgeted as semi-autonomous, self-supporting facilities. The concept of self-support implies that revenues generated should cover expenditures incurred. The inspectors observed that rapid growth in one area of the Secretariat's work may affect the service capacity, and that greater flexibility and cost transparency is required. While enhanced oversight mechanisms might lead to appropriate solutions, a deeper analysis would be required to develop a new management system incorporating such mechanisms.

24. In this connection, it should be noted that the United Nations Joint Staff Pension Fund, which is presented by the Inspectors as an example of the "business enterprise" type of common services (para. 50), is not an appropriate model. The Fund is not part of the Secretariat. It is largely self-supporting by virtue of contributions to the Fund and investments made. With the exception of telecommunications, no other support services discussed in the report generate income; rather, they are funded from the regular budget of the United Nations and reimbursements from the affiliated programmes.

Staffing (para. 56)

25. The Secretary-General takes exception to a casual remark by the Inspectors that staff competence as well as vacancy and turnover rates affect optimal performance of the common services. The allegation of substandard competence is serious enough to deserve factual substantiation and assessment, not a perfunctory observation. The Secretary-General is fully satisfied with the competence of management and staff of common services, who are subject to the established performance appraisal system.

New framework (paras. 62-76)

26. The Secretary-General considers the ideas presented by the Inspectors interesting and believes they merit thoughtful analysis and reflection. He notes, however, that while the Inspectors have tried to address some of the key questions, they have not done so in an in-depth and comprehensive manner, limiting discussion to an overly generalized treatment of issues without providing supporting evidence or cost-benefit analyses.

27. While the importance of improving the capacity and efficiency of common services is indisputable, the report does not provide a thorough assessment of benefits and costs involved in the changeover to the proposed new framework. This is regrettable since a detailed analysis of these issues in regard to specific services, including the strengths and weaknesses of the current

situation and the proposed model, would have greatly helped to achieve the goal of the Inspectors' study. The Secretary-General's primary concern is that the suggested reform of the common services should be approached on a case-by-case basis, with due regard to the specific circumstances of each service and the strengths, weaknesses and priorities of its current users and providers. Although the rationale and guidelines set out in the report are helpful, its recommendations cannot at this stage be treated as a plan of action.

28. The rationale for a comprehensive centralized organization of common services at United Nations Headquarters is that it is possible and desirable to develop such a general model. Experience has shown, however, that the advantages of such a model are not self-evident and that there are numerous, and sometimes major, difficulties involved in such an exercise. If the optimal size of a service is surpassed, coordination problems and complex reporting lines (including clearances) reduce efficiency, and pooling of resources in such areas may become counter-productive. In the absence of a detailed and careful analysis of such difficulties, accepting the unconditional pooling of common services within a rigid time-frame would fail to reflect the complexity and specificity of the problems inherent to each service. In contrast, various flexible and practical arrangements between the Secretariat and the United Nations funds and programmes are addressing the demands for specific services. Improving these pragmatic arrangements appears to be less costly and more effective for the time being than undertaking a radical reform of common services, unless convincing proof is offered to the contrary.

29. The Secretary-General wishes to recall that efforts to improve the coordination of the planning and provision of common services are ongoing. These efforts, however, have not resulted in a conclusion that the establishment of a single common services organization would be desirable to all the user entities. Moreover, such a model does not seem to take into account the existing disparities in the mandates, needs, cost-allocation mechanisms and resource availabilities among the different user entities. The Secretary-General's preference is for flexible, pragmatic arrangements specific to each service. As a first step, the cost-effectiveness of each service should be established and its competitiveness assessed in regard to external service providers or shared services.

30. With regard to the readiness of the United Nations Secretariat to enter into a proposed new model of common services, the issue is not only one of willingness, but also one of resources. The limited resources at the disposal of the United Nations have to be put to the most effective use. Sometimes there is much to be gained from encouraging subsidiary funds and programmes to share the burden. The cooperation therefore has to be shaped to the particular needs and circumstances of each case. The challenges, which undoubtedly exist, cannot be met by overarching macro-solutions, such as a comprehensive self-supporting common services system or by calling for the creation of such a system in order to "foster a single vision and coherence of concepts". These and other proposals found in the report, if adopted, would not necessarily lead to worthwhile improvements and indeed have the potential of complicating the already difficult task faced by the United Nations in managing its common services.

## III. COMMENTS ON RECOMMENDATIONS

Recommendation 1

31. The Secretary-General finds merit in ideas advanced by the Inspectors, but for the reasons explained in paragraphs 26 to 30 above considers it premature to endorse the new framework for common services. The feasibility of such a framework and the time-frame for its implementation would require a much more detailed, in-depth analysis of its organizational, financial and technical aspects.

32. The Secretary-General concurs with recommendation 1, paragraph (b), concerning reporting on progress made in the area of common services.

Recommendation 2

33. The Secretary-General agrees with the thrust of the recommendation. The measures to consolidate further and upgrade the quality and efficiency of common services at Headquarters will be considered with due regard to observations and proposals made by the Inspectors.

Recommendation 3

34. The Secretary-General takes note of the recommendation.

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## Common services at United Nations Headquarters

## Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly observations by the Joint Inspection Unit on his comments on the Unit's report entitled "Common services at United Nations Headquarters" (A/51/686/Add.1).

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ANNEX

Additional observations by the Joint Inspection Unit

I. GENERAL

1. The Inspectors observe that although the Secretary-General shares the vision and objectives of their report on common services at Headquarters and welcomes many of the review findings and recommendations, as noted in paragraphs 1 to 25 of his comments (A/51/686/Add.1), he nevertheless raises in paragraphs 26 to 30 some reservations on the practical feasibility of the new framework proposed by the Inspectors for significantly improving the cost-effectiveness of existing arrangements for Headquarters common services.

2. The Secretary-General's reservations focus exclusively on the operational constraints that the reorganization of common services recommended by the Inspectors could entail for the providers and users of those services. No convincing example is given of such possible constraints, however, nor is evidence provided to the effect that such constraints would in any way outweigh the significant benefits, summarized in paragraph 73 of the Joint Inspection Unit's report (A/51/686), of the changeover to a more coherent and cost-effective system of common services at Headquarters. In this connection the Inspectors have found that, for the operational programmes and funds particularly, improved administrative synergies and economies of scale at their common New York Headquarters would facilitate their achievement of integrated and coherent field operations and facilities worldwide, as mandated by the General Assembly in its resolutions 42/196, 44/211, 46/219, 47/199, 48/209 and 50/120.

3. The interrelationship between collaborative approaches at Headquarters and similar approaches at other duty stations, especially in field locations, is not underlined in the Secretary-General's comments, nor is there any reference to the clear directives contained in common system legislation on the subject of common services, as recalled by the Inspectors in paragraphs 1 to 4 of their report.

4. The Inspectors further observe that in paragraphs 26 to 30 of his comments the Secretary-General appears to depart from his declared reform goal of achieving a leaner, more efficient and effective Organization, as well as from his strong advocacy for the strengthening of common services at other duty stations, notably Nairobi and Vienna, which have applied the same comprehensive framework for common services recommended by the Inspectors for United Nations Headquarters.

## II. SPECIFIC OBSERVATIONS

Budgeting and reimbursement formulas

5. With reference to paragraphs 23 and 24 of the Secretary-General's comments, expressing a reservation about the Inspectors' recommendation that common services be budgeted as semi-autonomous facilities whose direct and indirect costs would be borne proportionally by all user entities excepting the policy organs, it may be recalled that, besides the secretariat of the Joint Staff Pension Fund, other United Nations system common services and inter-agency bodies (e.g., the Joint Medical Service and the International Computing Centre, both at Geneva, or Administrative Committee on Coordination bodies, the International Civil Service Commission and the Joint Inspection Unit for that matter) are indeed budgeted and financed proportionally by the participating organizations. In this light, the Secretary-General could usefully explain why the same budgeting and cost-sharing principle cannot be applied to common services managed by United Nations Headquarters and involving either the entire United Nations system or several organizations of the system. He could also propose alternative measures for addressing the weaknesses identified in paragraphs 52 to 55 of the Unit's report in existing common service budgeting and cost-allocation methods.

Staffing

6. In connection with paragraph 25 of the Secretary-General's comments, the Inspectors observe that the effects of staff competence as well as vacancy and turnover rates on the functioning of common services reflect the assessment of the users of those services as reported to the Inspectors. The JIU report as such makes no "allegation of substandard competence" of common service managers. However, the statement that the Secretary-General is fully satisfied with the competence of management and staff of common services deserves to be considered in the light of the criticisms and dissatisfaction expressed by some of the users of the services.

New framework

7. The Inspectors concur with the Secretary-General's view, expressed in paragraph 27 of his comments, that the suggested reform of the common services should be approached on a case-by-case basis, with due regard to the specific circumstances of each service and the strengths, weaknesses and priorities of its current users and providers. That also is the approach recommended by the Inspectors in paragraph 64 (b) of their report: "In view of the specific nature of each common service, the participants should decide on the most appropriate modality for organizing and providing the service concerned, including in some cases the need for relatively autonomous, self-supporting joint ventures, or use of outsourcing under a single policy and contract as exemplified by existing arrangements for travel, shipping and freight-forwarding services".

8. The Secretary-General's preference for a pragmatic and case-by-case approach would seem to coincide with the comments to the Inspectors dated 30 December 1996 by the Executive Director of UNICEF, who has proposed two pilot test cases for common services, namely reproduction and generic management

training, in order to first test the methodology on a limited basis. The Inspectors believe, however, that the legislative mandate regarding the development of common services for co-located organizations should be applied uniformly and consistently and that the need for pragmatism in regard to the specific character and requirements of each service should be addressed within the framework of a coherent strategy applicable to all eligible services and similar to the comprehensive approach adopted by the Vienna-based organizations.

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